

**I SEMESTER**  
**ECA 124: MICRO ECONOMICS**

Total Teaching Hours Per Semester: 75  
Number of Credits: 5

Number of Teaching Hours Per Week: 5

**COURSE OBJECTIVES:**

- To introduce students to the framework that economists use to analyze choices
- To introduce the concepts and theories of micro economics
- To familiarize students with the application of microeconomics

**MODULE I - INTRODUCTION TO MICRO ECONOMICS (5 Hours)**

Micro economics, Branches of Micro economics, Lionel Robbins' scarcity definition Basic problems of choice of production and consumption- (with the help of Production possibility curve) --Opportunity cost -Positive and Normative Economics, inductive and deductive methods. Merits and limitations of Micro economics

**SELF STUDY:** *Definitions prior to scarcity definition, Difference between Micro and Macro Economics.*

**MODULE II - THEORY OF CONSUMER BEHAVIOR (20 Hours)**

Cardinal Utility analysis-Law of Diminishing marginal utility .Law of Equi-marginal Utility.Marshallian Consumer's surplus. Law of Demand-Changes in demand. Elasticity of demand -types of elasticity of demand, Methods of calculating elasticity of demand, Factors determining elasticity of demand and Hicksian Ordinal Utility Analysis-Indifference Curves-Meaning, Properties,

Consumer's equilibrium-Budget constraint-Income effect- Price effect -substitution effect (only concepts)

**Self Study:** Practical importance of the concept.

**MODULE III - THEORY OF PRODUCTION (20 Hours)**

Production function -Law of variable proportions, Law of Returns to Scale – internal and external economies of scale. Cost concepts -TFC, TVC, TC, AC,MC- Short run and long run Analysis *Supply- Law of supply* - Revenue concepts –TR ,AR,MR . Producer's Surplus

**SELF STUDY:** *Practical importance of cost concepts.*

**MODULE IV -THEORY OF PRODUCT PRICING (20 Hours)**

Firm and industry equilibrium of a firm. Perfect Competition–features, Price and Output determination, role of time element .Monopoly– features- price and output determination, Price discrimination. Monopolistic Competition- features - product differentiation (concepts), Meaning of oligopoly-Meaning of selling cost.

**SELF STUDY:** Types of markets based on geography, competition and specialization

**MODULE V - THEORY OF FACTOR PRICING (10Hours)**

Pricing of Factors of Production– Rent– Ricardo and Modern, The Marginal Productivity Theory of wages, Wage differential. Interest-Classical theory. *Profit–Risk, Uncertainty*

**SELF STUDY:** *Dynamic and Innovation theory.*

*Suggestive topics for assignments:*

*About Markets,*

*Firms and Industries*

*Demand and Supply*

*Selling cost*

*Wage differentials*

*Above topics can be related to ground realities*

**REFERENCE BOOKS: (I &II Semester)**

1. Ahuja H.L : Advanced Economic Theory,21st ed 2017.
2. Principles of Micro Economics-Mankew Gregory
3. Lipsey.G: An Introduction to Positive Economics. Littlehampton Book Services Ltd, 1973.
4. Pyndick Rubinfeld:
5. Seth M.L- A Text Book of Economic Theory, Lakshmi Narain Agarwal 1999
6. Stonier A.W. And Hague – A Text Book of Economic Theory, AbeBooks, 1958.
7. Varian .H –Intermediate Micro Economics,Norton & Company,2014.

**II SEMESTER  
ECA 224: MACRO ECONOMICS**

Total Teaching Hours Per Semester: 75  
Number of Credits: 5

Number of Teaching Hours Per Week: 5

**COURSE OBJECTIVES:**

- To enable students to understand the nature and behaviour of important macro economic variables in the functioning of an economy.
- To impart knowledge regarding the formulation and implementation of macroeconomic policies.

**MODULE I - INTRODUCTION TO MACRO ECONOMICS (15 Hours)**

Definition and branches of Macro economics -stocks and flow, functional relationships, statics, comparative statics and dynamics. Interdependence between micro and macro economics. Micro-macro paradox.. Circular flow of income and wealth- Concepts and methods of measuring National Income. Uses and limitations of Macro economics

**SELF STUDY:** *Problems in the measurement of National Income.*

**MODULE II - THEORY OF INCOME AND EMPLOYMENT (20 Hours)**

Basic assumptions of the Classicists, Say's Law of Markets , Pigou's concept of wage cut ,Wage-price flexibility and Full Employment ,saving investment equality, Criticisms of the Classical theory.The Keynesian Theory -The concept of under employment equilibrium, Effective Demand-Aggregate Demand and Aggregate Supply, Consumption Function and its determinants, psychological law of consumption. Investment Function and its determinants, Multiplier, Accelerator.

**SELF STUDY:** KEYNES VS CLASSICAL THEORY

**MODULE III - MONEY AND BANKING (20 Hours)**

Determinants of Demand for money-Theory of Liquidity preference. Composition of Supply of money-. Value of money– Quantity theory of money – Fisher, Cambridge equations. General equilibrium in the product and money market-IS and LM Model (only concepts)-. Commercial banking functions – credit creation, central banking functions-Monetary policy-Credit Control techniques - quantitative and qualitative methods.

**SELF STUDY :** *Definition and functions of money. M1,M2,M3*

#### **MODULE IV - INFLATION AND TRADE CYCLES (20 Hours)**

Meaning and types of inflation ,Demand-pull -Cost push Inflation, Inflationary gap. Effects of inflation, measures to control inflation ,employment- inflation trade off- (Philips curve Short run). Measuring inflation- *Trade cycle-Phases*.

Use of Index numbers. Meaning ,types . Consumer Price Index and Wholesale Price Index (only concepts).

**SELF STUDY:** ,*Hawtrey's monetary theory* , *Schumpeter's theory of innovation*.

#### **Assignment Topics:**

**Study of Banking System**

**National Income**

**Inflation, Employment, Price Indices etc**

#### **REFERENCE BOOKS: (in addition to books mentioned in 1st Semester)**

1. Dornbusch, R and S. Fisher ,Macro Economics McGraw Hill, 11th edition, 2010.
2. Mankiw Gregory Macro economics Harvard University Worth Publishers, 2010.
3. Olivier Blanchard, Macroeconomics, Pearson Education, Inc., 5th edition, 2009.
4. Froyen-Macro Economics.
5. Edward Shapiro: Macro Economics
6. Dwivedi-macro Economics

## SEMESTER I

### ECS 124: MICROECONOMICS

Total Teaching Hours Per Semester: 75

Number of Teaching Hours Per Week: 5

Number of Credits: 5

#### **COURSE OBJECTIVES:**

- To familiarize students with fundamentals of micro economic theory
- To provide students skills necessary to deal with micro economic problems

#### **MODULE I: MICROECONOMICS: AN INTRODUCTION (5 Hours)**

Definition of Economics, Positive and normative economics, definition and scope of Microeconomics; Concept of Equilibrium, Ex-post and Ex-ante statics, comparative statics and dynamics

#### ***SELF STUDY: Definitions of Economics***

- *Mankiw NG (2011), Principles of Economics, 5th edition. South- Western Cengage Learning. Chapter 1- Ten Principles of Economics, Chapter 4- The Market Forces of Supply and Demand and Chapter 5- Elasticity and its Application.*
- *Pindyck, R. S. and Rubinfeld, D. L. Microeconomics, Global Edition. 2015 - Pearson Education Ltd. Chapter 1 - Preliminaries.*

#### **MODULE II: THEORY OF CONSUMER BEHAVIOUR, DEMAND AND SUPPLY ANALYSIS (20 Hours)**

**Marshallian Theory of Consumer Behaviour:** Assumptions, Derivation of Equilibrium, Law of Equi-marginal utility, Limitations.

**Indifference Curve Approach:** Basic Axioms, shape of IC under different situation, Budget Line, equilibrium of the Consumer.

**Extension of Indifference Curve Approach:** Derivation of Income Consumption Curve, Engel Curve, Price Consumption Curve, Price Effect, Income Effect and Substitution Effect

**Demand and Supply:** Elasticity of Demand- concept and measurement, law of demand, shape of demand curve, Bandwagon, Snob and Veblen Effect, Elasticity of Supply, Law of Supply, Market Equilibrium, Walrasian and Marshallian Stability Conditions.

**Self Study:** Revealed Preference Theory: Axioms, consumer's and producer's surplus

### **MODULE III: THEORY OF PRODUCTION AND THEORY OF COST (10 Hours)**

**Theory of Production:** Short Run production function; Total Product, Average Product and Marginal Product- Concept, measurement and relation between them; Production under long run: Derivation of Isoquant, Elasticity of substitution

**Theory of Cost:** Short Run average cost curve, average Variable cost, Marginal cost- concept, measurement and relation between them; Theory of Cost under Long Run: Derivation of Isocost line, Equilibrium of the firm, Expansion Path; Long Run Average Cost and Marginal cost curve, Relation between AR and MR.

Self Study: Meaning of Firms and Industry, Equilibrium of Firm.

### **MODULE IV: THEORY OF MARKETS (20 Hours)**

**Perfect Competition:** Assumptions and derivation of Short Run Equilibrium, Shut down and break-even point, Long Run Equilibrium.

**Monopoly and Monopolistic Competition:** Assumptions and derivation of Equilibrium of a monopolist, Comparison between perfect competition and monopoly, Deadweight Loss, Price discriminating monopolist and multiplant monopolist, Monopolistic competition and excess capacity.

**Oligopoly:** Features of Oligopolistic Competition, Meaning of duopoly Cournot Equilibrium, Bertrand Equilibrium in case of homogenous products, Stackelberg's Price leadership Model.

**Self Study:** Concept of Nash Equilibrium.

### **MODULE V: THEORY FACTOR PRICING AND WELFARE (20 Hours)**

Ricardian Theory of Distribution; Marginal Productivity Theory of Distribution; Theory of Wages under different market conditions in factor and product markets.

Measurement of Welfare, Pareto optimality using Edgeworth Box, First and Second Fundamental Theorem of Welfare Economics. Social Welfare and Arrows Impossibility Theorem. Brief overview of sources of market failure: Monopoly, public good, externalities and asymmetric information.

*SELF STUDY:* Concepts of general and partial equilibrium.

- *Mankiw NG (2011). Principles of Economics, 5th edition. South-Western Cengage Learning. Chapter 9- Externalities and Chapter 10-Public Goods and Common Resources*

## REFERENCES

1. Hall R. Varian (2010), Intermediate Microeconomics: A Modern Approach, East West publication  
8<sup>th</sup> Edition.
2. Henderson Mitchell and Quandt Richard E. (2003), Microeconomics: A Mathematical Approach, Tata Mc Graw Hill Edition.
3. Koutsoyiannis(2015), Modern Microeconomics, Mcmillan , 2<sup>nd</sup> Edition.
4. Mankiw Gregory (2011), Principles of Economics, Cengage Learning, 6<sup>th</sup> Edition.
5. Pyndick Robert.S and Rubinfeld Daniel L (2009) ,Microeconomics,Prentice Hall , 7<sup>th</sup> edition
6. Sen, A (2000) Microeconomics: Theory and Applications, Oxford University Press.
8. Simon Carl.P and Blume Lawrence (2010)Mathematics for Economists, W W Norton & Company

## SEMESTER II

### ECS 224 : MACROECONOMICS

Total Teaching Hours Per Semester: 75

Number of Teaching Hours Per Week: 5

Number of Credits: 5

#### COURSE OBJECTIVES:

- To familiarize students with fundamentals of Macroeconomic theory
- To provide knowledge about different schools in macroeconomic theories

#### MODULE I: INTRODUCTION TO MACROECONOMICS (5 Hours)

Nature of Macroeconomics and its significance, Indicators of Macro Economic Activity - Key Concepts: Stock and flow variables,

Self Study: Different schools of thought.

#### MODULE II: NATIONAL INCOME ACCOUNTING (10 Hours)

Measurement of Macro Variables and Economic Performance: National Income Accounting - *Important Concepts*: GNP, GDP, NNP, NDP, NI, PI, DPI- Real GDP versus Nominal GDP- GDP deflator- Circular Flow of Income- *Method of estimating National Income*- Expenditure Method- Income method-Value added or Net Product method- Mathematical Problems. Difficulties in National Income Accounting- Trends in GDP in India -GNP and Quality of Life - Net Economic Welfare - Green Income.

**SELF STUDY:** *Mathematical Exercise on National Income Accounting*

#### MODULE III: CLASSICAL THEORY OF INCOME AND EMPLOYMENT (15 Hours)

Introduction to classical theory of employment - Basic Assumptions of the Classical School- Say's law of Market- Determination of Output, Employment, Savings, Investment, Wages, Prices and Interest Rate – Equilibrium Output Employment, Quantity Theory of Money- Fisher's and Cambridge theories-Classical Dichotomy - Policy Implications of Classical School

**SELF STUDY:** *Types of Money.*

- *Review Questions and Problems - Froyen, R.T. (2006) – Macroeconomics Theories and Policies (Eighth Edition), Chapter 2 and 3*

## **MODULE IV: KEYNESIAN THEORY OF INCOME AND EMPLOYMENT (20 Hours)**

Principle of effective demand- Simple Keynesian Model (SKM) - components of aggregate demand – consumption function, investment demand and government expenditure-Keynesian theory of output, income and employment determination – equilibrium, multiplier and accelerator.

Money market and Goods market equilibrium - Interest rate induced investment and IS curve, Money market and LM curve, slope of IS- LM curve and policy analysis. Derivation of Aggregate Demand from IS-LM curve, Aggregate supply- Complete Keynesian Model.

### **SELF STUDY: Keynes vs Classical approaches**

- *Review Questions and Problems, Froyen, R.T. (2006) – Macroeconomics Theories and Policies (Eight Edition), Chapter 2 and 3, Chapter 6-9*
- *Hicks, J. (1937). Mr. Keynes and the "Classics"; A Suggested Interpretation. Econometrica, 5(2), 147-159. doi:10.2307/1907242*
- *Gerrard, Bill. "Keynes, The Keynesians and the Classics: A Suggested Interpretation." The Economic Journal, vol. 105, no. 429, 1995, pp. 445–458. JSTOR, JSTOR, www.jstor.org/stable/2235503.*

## **MODULE V: THEORY OF CONSUMPTION, INFLATION AND UNEMPLOYMENT (25 Hours)**

Keynesian theory of inflation- Inflation unemployment trade-off- Short Run and Long run Phillips Curve. Overview of Post Keynesian theory- monetarism, rational expectation, real business cycle and new Keynesian school.

Keynesian Consumption Hypothesis, Kuznet's findings, Fisher's Inter-temporal Model, Life cycle and permanent income hypothesis, Relative Income Hypothesis, Random walk hypothesis, Keynesian Investment Function-Marginal Efficiency of Capital, Marginal efficiency of Investment and Investment Demand, Accelerator Theory of Investment, Interaction between multiplier and accelerator,

**SELF STUDY:** Tobin's q. Baumol's Tobin & Friedman theory of money demand.

- *Hüfner, F., & Koske, I. (2010). Explaining household saving rates in G7 countries: implications for Germany. OECD Economic Department Working Papers, (754), 0\_1. <https://search.proquest.com/openview/28f8b2777dbc891ffc82ef4fba051dc5/1?pqorigsite=gscholar&cbl=54478>*



## **REFERENCES:**

1. Blanchard Olivier (2013) Macroeconomics, Pearson, Fourth Edition
2. Dwivedi D.N (2008) Macroeconomics Theory and Policy, Tata Mc Graw Hill, 3<sup>rd</sup> Edition.
3. Froyen R. T. (2005) Macroeconomics: Theory and Policy, Pearson Education,
4. Mankiw Gregory (2010) Macroeconomics. Worth Publishers, 7th Edition
5. Dwivedi D.N. (2008) Macroeconomics Theory and Policy, Tata Mc Graw Hill, 3<sup>rd</sup> Edition
6. Hubbard R. Glenn and Anthony Patrick O'Brien, (2012) Macroeconomics, Pearson Prentice, New Jersey, USA.
7. Edward Shapiro- macro Economics